



Los Angeles County AUDIT COMMITTEE

Gerardo Pinedo, Chair
2nd District
Carl Gallucci, Vice-Chair
4th District
Louisa Ollague
1st District
Genie Chough
3rd District
Lori Glasgow
5th District

MINUTES
JUNE 19, 2008

Chair Gerardo Pinedo called the meeting to order at 1:38 p.m. in Conference Room 525, Kenneth Hahn Hall of Administration.

Committee Members Present

Louisa Ollague, First District
Gerardo Pinedo, Second District
Genie Chough, Third District
Carl Gallucci, Fourth District
Lori Glasgow, Fifth District

Others in Attendance

Maria Oms, Auditor-Controller
Jim Schneiderman, Auditor-Controller
Don Chadwick, Auditor-Controller
Mike McWatters, Auditor-Controller
Joel Sappell, Third District
Carla Carr, Auditor-Controller
Jim Godsey, Macias, Gini & O'Connell, LLP
David Livingston, Macias, Gini & O'Connell, LLP
Danior Martin, Macias, Gini & O'Connell, LLP
Connie Yang, Auditor-Controller
Wendy Watanabe, Auditor-Controller
Jon Naimo, Auditor-Controller
Margaret Quinn, Department of Community and Senior Services
Pat McMann, Department of Community and Senior Services
Lee Millen, Board of Supervisors

Other Business

Los Angeles County Comprehensive Annual Financial Report (CAFR) and Single Audit Report 2006-2007 – Macias Gini O'Connell, LLP

David Livingston, Jim Godsey, and Danior Martin presented an audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, for the year ended June 30, 2007; a report dated December 13, 2007, was issued to the Board of Supervisors. Copies were distributed of the County of Los Angeles, Report to Board of Supervisors, June 30, 2007, and the Los Angeles County Audit Committee, Impact of New Audit Risk Standards on an Organization's Internal Controls, June 19, 2008.

Mr. Livingston reported on Macias Gini & O'Connell's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133; Significant Accounting Policies; Accounting Estimates; Audit Adjustments; Disagreements with Management; Consultations with Other Independent Accountants; Issues Discussed Prior to Retention of Independent Auditors; and Difficulties Encountered in Performing the Audit (copy on file).

Macias Gini & O'Connell gave an unqualified opinion that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles.

The internal control assessment report used the COSO framework and included five components regarding financial reporting: Environment; Client Risk Assessment; Information and Communication; Monitoring; and Control Activities. Clients must satisfy all five components. Macias Gini & O'Connell recommended updating controls (copy on file).

Following discussion, Mr. Godsey advised that the purpose of the financial statement review is to give a point of reference, not to look at specific investments unless it was material to the scope of audit, and to provide financial totals during the period of time reviewed.

Further discussion ensued on Orange County's unrealistic investment earnings, and Los Angeles County's policy and procedures in place that dictate what the Treasurer Tax Collector can invest in.

On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the above referenced report was received and filed.

Audit Findings/Collections – Community and Senior Services Presentation:

Margaret Quinn, Administrator, and Pat McMann, Consultant, distributed and reviewed the Department of Community and Senior Services, Simpson and Simpson and A-C, Fiscal Year 2005-06 and 2006-07, Questioned Costs (7) [copy on file]. The key components of review were: The Lack of Documentation, Contract Noncompliance, Failure to meet Program Guidelines, Totals, Amount Collected, Amount Resolved, Amount to be Collected/Resolved, and % of Amount to be Collected/Resolved. Footnotes outlining the data collected were reviewed and explained.

Mr. McMann advised that staff is working to resolve questioned costs, doing preventive work, and working to eliminate questioned costs. This report will be produced quarterly.

Louisa Ollague thanked the presenters for providing the much awaited data. Chair Pinedo requested that similar concerns to be reviewed should be communicated with the Committee and WIA deputies as promptly as possible.

In response to Louisa Ollague, Maria Oms will schedule a joint meeting to brief WIA and CSS deputies on the above report.

On motion of Louisa Ollague, seconded by Genie Chough and unanimously carried, the Committee received and filed this report.

Approval of May 15, 2008 Minutes

On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the minutes of May 15, 2008, were approved as submitted.

Old Business

Review of Board Policy Number 5.045 – Sunset Review Date (07/17/07):

Louisa Ollague requested that this item *not* be brought back again until the Justice Deputies have reviewed the Policy. **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Los Angeles Urban League, Inc., South Central Contract – A Community and Senior Services Workforce Investment Act Program Provider (03/24/08) (Discussion)

On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.

Fiscal Review of the Sherman Group, Incorporated – A Group Home Foster Care Contractor (03/25/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Department of Community and Senior Services – Fiscal Monitoring of Area Agency on Aging Program Services for Fiscal Year 2005-06 (03/25/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Excel Family Intervention Foster Family Agency Contract Review – A Department of Children and Family Services Provider (04/03/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Communities in School of South Bay, Inc. Contract – A Community and Senior Services Workforce Investment Act Program Provider (04/07/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of B & I Group Home, Inc. – A Group Home Foster Care Contractor (4/7/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Asian American Drug Abuse Program Contract – A Community and Senior Services Workforce Investment Act Program Provider (04/09/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

City of Compton – Compton Careerlink Contract – A Community and Senior Services Workforce Investment Act Program Provider (04/22/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Mexican American Opportunity Foundation Contract – A Community and Senior Services Workforce Investment Act Program Provider (04/23/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of M&R Group Home – A Group Home Foster Care Contractor (04/24/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Arbor Education and Training, LLC Contract – A Community and Senior Services Workforce Investment Act Program Provider (04/24/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Review of Sheriff's Contract Psychologist Exams (05/06/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Aviva Family and Children's Services – A Community and Senior Services Workforce Investment Act Program Provider (05/06/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Status Report on Hillside's Home For Children (05/13/08): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

A.C. Contract Accounting and Administration Handbook (Discussion): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Reports to be Received and Filed

Los Angeles Urban League Inc., City of Pomona – A Community and Senior Services Workforce Investment Act Program Provider (03/25/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of Murrell's Farm and Boy's Home – A Group Home Foster Care Contractor (04/08/08): Maria Oms reported that the DCFS will resolve the questioned costs and, to the extent possible, collect disallowed amounts; a corrective action plan is being established. **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Financial Condition of Brea Canon Oil Co. Inc. (04/14/08) (Discussion): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Financial Condition of Worker's Compensation Claims Administration Services Proposers (04/14/08) (Discussion): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Review of Rent Due for 1000 South Fremont Avenue, Alhambra (Lease No. 72576 (04/15/08) (Discussion): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Review of Fiscal Year's 2004-05 and 2005-06 Federal Annual Certification Reports For the Narcotic Enforcement and Vehicle Theft Program Funds (04/17/08) (Discussion): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Auditor-Controller Training to Social Services Department Contractors (05/15/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Department of Parks and Recreation – Review of Arboretum Operations (05/16/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Group Home Program Monitoring Report – West Covina Group Home, West Covina Group Home II (05/20/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Managed Career Solutions, Inc. Contract – A Community and Senior Services Workforce Investment Act Program Provider (05/20/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Group Home Program Monitoring Report – South Bay Bright Future Youth Development Centers, Inc. – Youth Development Center 1, 2 and 3 Group Homes (05/20/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

UAW – Labor Employment and Training Corporation Contract – A Community and Senior Services Workforce Investment Act Program Provider (05/20/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

City of Pasadena – A Department of Public Health HIV/AIDS Preventive Care Service Provider (05/20/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of Moore's Cottage Group Home – A Group Home Foster Care Contractor (05/22/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Fiscal Review of You Are The Difference Foundation, Inc. (Loving Life Home) – A Group Home Foster Care Contractor (05/22/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of Bourne, Incorporated – A Group Home Foster Care Contractor (05/22/08): Maria Oms requested confirmation that Bourne is complying with repayment agreement. Discussion ensued on a recommended \$100 thousand limit in the aggregate concerning 35 payments of \$813 each. Following discussion, Wendy Watanabe, Acting Auditor Controller,

agreed to report back on July 17, 2008, regarding the Auditor's database that can identify all existing contracts, and will report on data interpretation and how it was cleaned up. **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Redemption Collections Review for the period July 1, 2002 to June 30, 2005 (05/22/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Department of Public Works – Controls Over County Credit Cards (05/23/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Internal Services Department – Controls Over County Credit Cards (05/23/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

San Pedro Community Legal Services – A Department of Public Social Services Community Services Block Grant Program Provider (05/23/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Audit of the Los Angeles County Regional Park and Open Space District for the Year Ended June 30, 2007 (05/23/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Group Home Program Monitoring Report – Trinity Youth Services, Inc. – Trinity – Apple Valley, Trinity-El Monte and Trinity-Whitewater Group Homes (05/27/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Fiscal Review of T&T Home for Boys, Incorporated, - A Group Home Foster Care Contractor (5/27/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

El Proyecto Del Barrio, Inc. Contract – A Community and Senior Services Workforce Investment Act Program Provider (05/27/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Proposition A Contract – Department of Coroner Custodial Services (Board Agenda June 4, 2008 Item 57) (05/29/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Goodwill Southern California Contract – A Community and Senior Services Workforce Investment Act Program Provider (6/3/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

People Assisting the Homeless – A Department of Public Social Services Community Services Block Grant Program Provider (6/3/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Prototypes, Centers for Innovation in Health, Mental Health and Social Services – A Department of Public Health HIV/AIDS Preventive Care Service Provider (6/5/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Review of Controls Over County Credit Cards (06/6/08): Wendy Watanabe, Acting Auditor-Controller, advised that ISD has the lion's share of charges regarding the California Card used by Craft employees for job emergencies; a fraud investigation on the Voyager card (gas card) was initiated. **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Department of Children and Family Services Group Home and Foster Family Agency Contract Solicitation Review (Board Agenda Item No. 98-A, May 6, 2008) (06/6/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Auditor-Controller's Review of Worker's Compensation Trust Fund (06/10/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Review of Worker's Compensation Trust Fund (06/12/08): **On motion of Lori Glasgow, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Louisa Ollague inquired regarding audit protocols concerning CSBG grants less than \$30,000, its cost effectiveness, and what is the best process to use in auditing an agency's multiple streams of funding. She proposed inviting a representative from CDC (Community Development Commission) to speak to the Commission about how they monitor CDBG (Community Development Block Grants) funds.

Report to be Received

2006-2007 Single Audit Report (4/2/2008): **On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the Committee received and filed this report.**

Public Comment

There was none.

Other Business

Status of Group Home/Foster Family Agency Joint Monitoring Reviews: **On motion of Louisa Ollague, seconded by Genie Chough and unanimously carried, the Committee approved continuing this item to its July 17, 2008, Audit Committee meeting.**

Procurement and Payroll Audits – Budget Request: **On motion of Louisa Ollague, seconded by Genie Chough and unanimously carried, the Committee received and filed this report.**

Matters not on the Posted Agenda (to be Presented and Placed on the Agenda of a Future Meeting)

There was none.

Adjournment

There being no further business to conduct, the meeting was adjourned at 3:30 p.m.